

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6125

BILL NUMBER: HB 1095

NOTE PREPARED: Nov 15, 2007

BILL AMENDED:

SUBJECT: Living Wage for State Agency Contracts.

FIRST AUTHOR: Rep. Hoy

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ GENERAL
☒ DEDICATED
☒ FEDERAL

IMPACT: State

Summary of Legislation: This bill requires a contracting vendor awarded a contract by a state agency, the General Assembly, or the judiciary to pay its employees at not less than a certain rate (referred to as the "living wage") beginning July 1, 2008. It sets a living wage initial rate, and provides for annual adjustments of the living wage.

The bill provides certain penalties for noncompliance with the requirement to pay the living wage.

The bill establishes the Living Wage Advisory Committee to review and evaluate the effectiveness of the living wage in creating and retaining living wage jobs.

Effective Date: July 1, 2008.

Explanation of State Expenditures: *Living Wage:* The bill requires covered contracting vendors awarded a contract by the state to pay employees at least \$9.93 an hour.

A covered contracting vendor is a for-profit employer with at least 25 full-time employees or a nonprofit employer with at least 100 full-time employees. The bill would apply to contracts of \$100,000 or more awarded by the state. It is unknown how much the bill might increase the cost of the state contracts. The impact depends on the number of employees currently paid less than the living wage standard and if the contractor absorbs a portion of the increased costs. The state has over 3,509 contracts valued at over \$10.7 B that might qualify. A 0.1% increase in contract cost could represent an increase in state costs of \$10.7 M.

Living Wage Advisory Committee: The Living Wage Advisory Committee is a five-person committee

appointed by the Governor. The committee would consist of one representative from each of the following: labor, a living wage advocacy organization, a community-based organization, the Indiana Chamber of Commerce, and small business. The Department of Labor would provide staffing and pay expenses. The Department could incur some additional expense. The Department of Labor on November 15, 2007, had 23 vacant positions valued at \$651,690; 7 positions had been vacant for more than two years. The Department reverted \$648,636 on June 30, 2006.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected:

Information Sources: Department of Administration Active Contract Website, <http://www.in.gov/idoa/2796.htm> .

Fiscal Analyst: Chuck Mayfield, 317-232-4825.